

Rep. Peter Welch is leading 77 House Democrats in pushing the Super Committee – the congressional committee tasked with finding \$1.5 trillion in budget savings by November 23rd – to adopt his proposal to lower prescription drug prices for seniors and save \$156 billion in Medicare spending.

In a letter to the 12 members of the Super Committee, Welch and his House colleagues are urging that any deficit reduction plan require the Secretary of Health and Human Services to negotiate prescription drug prices on behalf of Medicare Part D beneficiaries. Such a move would significantly lower the cost of prescription drugs for seniors and save up to \$156 billion over ten years.

In June, [Welch introduced the Prescription Drug Price Negotiation Act of 2011](#) . The legislation would help the Super Committee meet its target of \$1.5 trillion in budget savings.

“The Super Committee is facing many difficult decisions,” Welch said. “One easy decision would be to put the federal government’s purchasing power to work to save billions of dollars a year. Paying retail rates for wholesale purchases is a good deal for the pharmaceutical industry but a bad deal for the taxpayer. At a time of fiscal belt tightening, we simply cannot afford to continue this misguided policy.”

The Super Committee was established as part of the deal to raise the nation’s debt ceiling in August. The 12-member must report its recommendations to Congress by November 23, 2011. Both the House and Senate must vote on those recommendations by December 23, 2011.

The full text of Welch’s letter to the Super Committee is copied below. To see a PDF copy, [CLI CK HERE](#)

. To see more about Welch’s Prescription Drug Price Negotiation Act of 2011, [CLICK HERE](#)

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October 5, 2011

The Honorable Patty Murray

The Honorable Jeb Hensarling

Co-Chairs Joint Select Committee on Deficit Reduction

The Honorable Xavier Becerra

The Honorable Dave Camp

The Honorable James E. Clyburn

The Honorable Fred Upton

The Honorable Chris Van Hollen

The Honorable Max Baucus

The Honorable Jon Kyl

The Honorable John Kerry

The Honorable Rob Portman

The Honorable Pat Toomey

Members Joint Select Committee on Deficit Reduction

Dear Co-Chairs and Members,

As the Joint Select Committee on Deficit Reduction considers reforms to reduce our nation's debt, we write to express our strong support for requiring the Secretary of Health and Human Services to negotiate prescription drug prices for plans offered under Medicare Part D. This important reform will yield significant cost savings for the federal government, as well as seniors and individuals with disabilities, while also strengthening Medicare for current and future beneficiaries.

Since the enactment of the Medicare Modernization Act, which created the Medicare Part D program, the federal government has been prohibited from directly negotiating with pharmaceutical companies for lower prescription drug prices for the 28 million seniors and individuals with disabilities who participate in Medicare Part D. If Medicare negotiated directly with drug manufacturers and was able to bring drug prices down to Medicaid levels, a 2008 report by the House Committee on Oversight and Government Reform found taxpayers would save \$156 billion over 10 years. Moreover, Medicare beneficiaries could save up to \$27 billion over the same period of time.

There are numerous examples of how the Part D program is forcing taxpayers, seniors and individuals with disabilities to pay more than they should for prescription drugs. For example, beneficiaries who are eligible for coverage under both Medicaid and Medicare, commonly referred to as dual-eligibles, are required to obtain prescription drug coverage through Medicare Part D even though current law allows Medicaid to set limits on the amount the program will pay for prescription drugs, which has produced significant savings. In fact, the House Committee on Oversight and Government Reform study found that the cost of providing the top 100 drugs to dual-eligibles was 30 percent higher under Medicare than it would have been under Medicaid. In addition, the independent Congressional Budget Office estimated that requiring manufacturers to pay Medicaid-level rebates for low-income Medicare beneficiaries would

reduce Part D costs by \$112 billion over 10 years.

Moreover, a recent report by the Department of Health and Human Services' Office of Inspector General concluded that Medicaid's net costs (net costs equal pharmacy reimbursement minus drug manufacturer rebates) for the 100 most prescribed brand-name drugs were 34 percent lower than net costs under Medicare Part D. Both Medicaid and Medicare Part D benefit from rebates from drug manufactures. However, the rebates paid to Medicaid for the 100 most prescribed brand-name drugs were three times greater than the rebates paid to Medicare Part D for the same prescription drugs. In addition, while drug rebates reduced Medicare Part D expenditures by 19 percent for the same 100 brand-name drugs, Medicaid saw savings of 45 percent due to mandated rebates.

While the administration of Medicare Part D has been a lost opportunity for cost savings thus far, allowing the Secretary of Health and Human Services to negotiate prescription drug prices as she does for Medicaid beneficiaries would lead to significant deficit reduction in the future without sacrificing seniors' benefits. We have the opportunity to dramatically curb the costs, and at a time of tough budgets for both families and the government, we simply cannot afford to leave these real savings on the table. We strongly encourage you to include this reform in the Committee's legislation to reduce the national debt.

Sincerely,

PETER WELCH

Member of Congress